

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:40 p.m. on February 7, 2006, in Room 123-S of the Capitol.

Committee members absent:

Committee staff present: Deb Hollon, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Senator Mark Taddiken
Don L. Wells, Superintendent, USD 221 & USD 455
Representative Sharon Schwartz
Jim Hays, Kansas Association of School Boards

SB 481 – School districts; state aid for districts which consolidate

Noting that **SB 481** was introduced at the request of Senator Taddiken, Theresa Kiernan, Revisor of Statutes Office, explained that the bill concerned an incentive for school districts which consolidate. Under current law, when two or more districts consolidate, the districts can have the total of the state aid received by those districts prior to consolidation for the year in which they consolidate and the following year. If they completed their consolidation before July 1, 2005, the special payment is for the year in which they consolidate and two more years. The bill would provide that same benefit for the three years to any school districts which consolidate, regardless of the date in which it was completed. For the purposes of capital outlay state aid and bond and interest state aid, the bill would provide that, when the Department of Education determines their state aid percentage factor, it would use the higher, or the highest if it was more than two districts, state aid percentage factor for three years after consolidation (the year they consolidate and two more years).

Senator Mark Taddiken testified in support of **SB 481**. In the last year, seven school districts in his Senate district have been involved in the consolidation process. He noted that, under current law, school districts may receive less state aid under consolidation than they do operating as separate districts. He pointed out that **SB 481** would allow consolidating districts to maintain their current level of state aid for their general fund, bond and interest, and LOB for a period of three years. After the initial three year period, they would follow standard funding guidelines. He emphasized that the bill would provide an opportunity to remove the current disincentive and allow a smoother transition for consolidating districts. (Attachment 1)

Don Wells, Superintendent, USD 221 and USD 455, testified in support of **SB 481**, noting that he was speaking on behalf of other superintendents in his area of the state who supported the bill (Mike Stegman, Superintendent of USD 222, and Larry Lysell, Superintendent of USD 427). He commented that the bill would allow efficient consolidation of school districts without penalizing the taxpayers of the affected districts. He went on to discuss the current consolidation process in Washington and Republic counties which involved four boards of education that represented eleven communities. He noted that the bill addressed the merging districts' concerns about combining their assessed value per pupil and student enrollments. In conclusion, he contended that the bill would offer a powerful incentive for consolidation because the current cost of state aid would remain the same, and local districts would benefit by assessing fewer mills to reach the needed levels of local support. (Attachment 2) For the Committee's information, Mr. Wells distributed copies of an estimated cost analysis and data relating to USD 221, USD 222, USD 427, and USD 455. (Attachment 3)

Representative Sharon Schwartz expressed her support for **SB 481**. In her opinion, the bill would greatly assist in providing the resources necessary for successful consolidation of school districts and help to defray the cost of the merger of districts. (Attachment 4)

In response to a question regarding the inclusion of a deadline in the bill, Senator Taddiken clarified that the Board requested that he introduce the bill to include LOB and bond and interest, but they did not request striking the deadline. In the process, the bill was drafted to remove the deadline. He commented, "I think

CONTINUATION SHEET

MINUTES OF THE Senate Education Committee at 1:40 p.m. on February 7, 2006, in Room 123-S of the Capitol.

that's probably more of a policy issue for the Committee than it is something for these gentlemen's concern." He confirmed that neither he nor the superintendents would object to putting a deadline in the bill. Senator Vratil commented, "Of course, then, the situation becomes one where we establish a deadline, we extended the deadline, we extended it again. Pretty soon, nobody is going to believe that the deadline means anything."

Jim Hays, Kansas Association of School Boards (KASB), testified in support of **SB 481**. He noted that the bill meets KASB's two basic positions on school consolidation issues. He suggested that the bill might be more persuasive to voters if it provided that the higher district's state bond and interest aid rate would apply for the remaining life of the bond issue in question instead of just for three years. (Attachment 5)

There being no others wishing to testify, the hearing on **SB 481** was closed.

Senator Schodorf turned the Committee's attention to a previously heard bill, **SB 330** concerning Learning Quest (family postsecondary education savings accounts), and called upon Scott Gates, State Treasurer's Office, to respond to questions from the Committee. Senator Vratil commented, "My question was, under the proposal, could a Kansas income tax payer contribute \$2,000 to a 529 plan, Learning Quest, on December 31, 2005, take the tax benefits of that (a deduction), and then withdraw that money the next day on January 1, 2006, and use it for their child's higher education expense?" Mr. Gates responded, "You can do that today as long as you have your account open for one year. What this bill gets rid of is the penalty for doing that within the first year after you open the account. So, if you put \$500 in an account, leave it there for a year, a year later now you can come in and move money through that in a day or two, and no other states are currently restricting that. There is one other state that currently has a penalty for withdrawing money that first year, and that's the State of Georgia. And there are 27 states that currently offer a tax deduction to their participants. The limit for couples filing jointly is \$6,000, and, at the maximum tax rate of 6.5 percent, that's about \$390."

Senator Teichman moved to recommend **SB 330** favorably for passage, seconded by Senator Pine.

Senator Vratil commented, "I want to be sure that everybody understands that the whole purpose of Learning Quest and every other 529 plan across the country is to encourage parents to save money so that money will be available when their kids go on to college or the university. From that standpoint, we don't really care whether those funds are invested in a Kansas based plan or plan in another state because it goes to the kids no matter what state plan is being used. But, apparently, under current law, and this amendment would exacerbate the problem, we have a big loophole for an income tax scam. Parents who fully intend to provide money for their child's education had the ability to get a substantial income tax deduction just by investing the money one day and withdrawing it the next. And that's currently true under our existing statutes. I think we need to do something about that. This Learning Quest was not implemented in order to provide a tax scam for our citizens. It was implemented in order to encourage saving for education, and we should not allow it to be used as a tax scam."

Senator Teichman asked Mr. Gates how many other states were having problems with scamming. Mr. Gates responded, "I haven't seen this to be a problem, and to be quite honest, we would be glad to report to you in our annual report the number of withdrawals that occur within the first year or even timing of those withdrawals. We can study that issue. I haven't found that to be a problem in the flows that I've seen for reporting money in and out of this plan. We continue to grow this plan. And, again, most people use it for the long term. I think what limits that occurring is the fact that it must be a qualified withdrawal. The only people who could take advantage of the system in that light are families that currently have a student in college. That's a small percentage of the population of people that are using these accounts to save for their students."

Senator Vratil requested that Senator Teichman withdraw her motion to allow the Committee time to study the bill further after receiving additional information on withdrawals from Mr. Gates.

Senator Teichman withdrew her motion, and Senator Pine withdrew his second.

The meeting was adjourned at 2:30 p.m. The next meeting is scheduled for February 8, 2006.

**SENATE EDUCATION COMMITTEE
GUEST LIST**

DATE: Feb 7, 2006

NAME	REPRESENTING
Rep. Shawn Delaney	106th District
Sen. Richards	TOPEKA NAACP
GERRY HENDERSON	USA
Jim Hays	KASB
Sen. Mark Taddiken	21 st District
Michael D. Hegman	Washington USD 222
Samy Mysell	Republic County USD 427
Scott GATES	STATE TREASURER'S OFFICE
Bill Brady	SFFF
MARK DEBETTI	KNEA
Rep. Kaethie DeLoon	
DAVID A. RAFFEL	KANSAS FAMILIES UNITED FOR PUBLIC EDUCATION
KATAY COOK	KFUPE
Barb Thompson	KFUPE / KNEA
Diane Stewart	Wichita Public Schools
SCOTT FRANK	LPA
Bob Vancrum	Blue Valley USD 229
Glaine Frisbie	Division of Budget.
Debbie Meador	KLA

STATE OF KANSAS

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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
CHAIR: AGRICULTURE
MEMBER: NATURAL RESOURCES
UTILITIES
WAYS & MEANS
JOINT COMMITTEE ON SPECIAL
CLAIMS AGAINST THE STATE
LEGISLATIVE EDUCATIONAL
PLANNING

TESTIMONY IN SUPPORT OF SB 481

February 7, 2006

SENATE EDUCATION COMMITTEE

Thank you Madam Chairman and Committee members for the opportunity to stand before you today in support of SB 481.

In the last year in my senate district, seven school districts have been involved in consolidation discussions. From those initial discussions two school districts have completed a consolidation. Four more districts are still in the process and have public votes scheduled in March seeking permission to combine into two consolidated districts.

These local school boards have decided it is in the best educational interests of their students to consolidate their respective districts. I highly commend them for working through the difficult decisions in this process and making the educational opportunities of their students the number one priority.

When local school boards make the decision to consolidate, I believe the State of Kansas should do everything we can to remove obstacles to that process. Under current law, school districts may receive less state aid under consolidation than they do operating as separate districts.

SB 481 would allow consolidating school districts to maintain their current level of state aid for their general fund, bond and interest, and LOB for a period of three years. After the initial three

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Attachment 1*

year period they would follow standard funding guidelines. SB 481 provides the opportunity to remove the current disincentive and allow a smoother transition for consolidating districts.

Today, we have three superintendents with us who represent the four districts that are having public votes in March. They are USD 222 Superintendent Mike Stegman, USD 427 Superintendent Larry Lysell, and USD 221 and 455 Superintendent Don Wells.

They will give you the financial details of how their districts are affected by our current funding statues.

These superintendents and their respective school boards have made many difficult decisions. I respectfully request this Committee lift part of the financial load from their shoulders and look favorably upon SB 481.

1 Testimony in Support of SB 481
2 February 7, 2006
3 Given to the Senate Education Committee
4 Testimony Speaker: Don L. Wells, Superintendent of USD 221 & USD 455
5 Others representing support: Mike Stegman, Superintendent of USD 222, Washington
6 Schools and Larry Lysell, Superintendent of Republic County Schools, USD 427.
7
8

9 Thank you for the opportunity to speak on behalf of our support for SB 481. We are very
10 appreciative of Senator Jean Schodorf for placing us on the agenda for the day.
11

12 Rarely does there come a time in the finance of the State of Kansas in which there seems
13 to be an opportunity for all to be in a winning position. This includes those affected at the
14 local level as well as the State of Kansas. SB 481, sponsored by Senator Mark Taddiken,
15 provides this opportunity. In the Midwest and especially in Kansas, this seems to be a
16 much needed proposal. SB 481 more quickly and efficiently promotes and supports the
17 needed consolidation of school districts. It does so without penalizing the citizen
18 taxpayers of the affected districts. Consolidation should be a governmental activity that
19 creates winners in the process and not taxpayers that are penalized with added financial
20 burdens to effectuate the desired outcome.
21

22 There are four boards of education involved in the current consolidation process and
23 elections that will happen on March 7, 2006 in Washington and Republic Counties. These
24 four boards of education represent eleven distinct communities within a two-county area.
25 The courageous vote by the four combined boards represents a 28-0 vote to enter into
26 consolidation talks and to agree to hold an election for their respective communities and
27 school districts. While it would have been easier to consider and utilize other means of
28 merger, consolidation was selected because it provided the representation desired for all
29 the communities and taxpayers. It provided immediate representation for all on Boards of
30 Education starting with the date of the new districts, July 1, 2006. Currently, the
31 membership of the Temporary Boards from both proposed new districts is based on
32 census data with a 5-2 arrangement. The larger more populous districts each have five
33 members while the less populous districts have two members. The representation factor
34 was passionately desired because the issue deals with bonded indebtedness, local option
35 costs and the important education of the students of the districts involved.
36

37 SB 481 addresses the concerns of the penalizing effects of merging districts because of
38 the increase in the assessed value per pupil due to the combining of the two districts into
39 one district with a larger assessed value with not many more students. The higher
40 assessed value per pupil drives down the state aid assigned currently to two of the
41 districts. In the examples provided, the Washington District would lose state aid for the
42 LOB in the amount of 20%. The Republic County District would lose 14%. In the Bond
43 /Interest Fund, the Washington District would lose 21%. The Republic County district
44 currently does not receive any state aid for bond and interest. Because of the current
45 formula requirements, the larger districts will lose state aid and subsequently, the
46 consolidated districts would lose that same state aid. In effect, the consolidated districts

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1 would have an increased mill levy cost when consolidation is intended to lower the cost
2 based on efficiencies to be gained. The total savings under SB 481 for the Washington
3 County District would be 8.23 mills for \$207,428 and the Republic County District
4 would save 3.75 mills for \$135,000 annually. This result raises the question as to why
5 one district with adequate state aid in LOB or Bond and Interest funds would want to go
6 through a consolidation activity if it presents a greater cost to the parties involved. All
7 boards are concerned that this seemingly odd quirk to the intended savings will have a
8 negative effect on the upcoming election. The Boards are hopeful that the Legislature will
9 positively review the benefits of SB 481 during the committee hearings and on the floor
10 for debate.

11
12 Currently, all involved know that consolidation is the best plan for the desired long-term
13 results of reducing costs and delivering required services. It is a major step in the
14 preserving the quality of education for a reasonable cost to taxpayers in an area that
15 continues to have a depressed economy and a decreasing population. SB 481 leaves the
16 cost of the state at approximately the same level as it is now yet it gives some needed
17 relief to the taxpayers involved in the proposed consolidations.

18
19 The current state formula is based on student enrollment and factors relating to that
20 enrollment of a district. In areas of declining enrollment, the past additions to the amount
21 per student does not significantly add to the general operating budget in order to defray
22 the cost required to adequately operate a district. In areas in which student enrollment is
23 stable or growing, the formula works. In our area, it does not. The critical mass has been
24 reached in North Central Kansas and Senate Bill 481 proposes the needed help to our
25 school districts and to districts like ours that want and need to consolidate.

26
27 Consolidation is the best although it might well be the most complex and difficult to
28 achieve. When compared with disorganization or full-land transfer, consolidation yields
29 the best cooperative and beneficial results because of the intense work and compromise
30 required. All recognize the value of preserving the dignity of those involved and
31 consolidation provides that opportunity for the dignity to be kept intact. Districts that find
32 a way to merge cooperatively should not be penalized for their positive activities and
33 courage.

34
35 In the examples provided, both mergers create and increase in local costs to those that
36 already carry a fairly large mill levy to support what is currently in place. The proposed
37 consolidations will reduce long-range costs over an appropriate three-year span. Faculty,
38 staff and administrative costs will be reduced, at least one building within each new
39 district will be closed and better efficiencies will be reached in professional development
40 funds, driver education, transportation, food services, vocational and at-risk programs.

41
42 To reach these needed efficiencies, additional local costs should not be part of the
43 equation. SB 481 gives the State of Kansas the rare opportunity to pay approximately the
44 same amount of state aid and to reach the desired incentives for the needed consolidations
45 more quickly than has been displayed over the last 20+ years.

46

1 It is difficult enough to consolidate a way of life into another by the way of change. This
2 way of life has been 'comfortable' ever since the shock of the original consolidations of
3 the sixties. All came to accept it although the bitterness resurfaces from time to time. The
4 fear of change still exists for many and if the cost to change is added to the fear,
5 momentum for consolidation is hard to gain and maintain. SB 481 removes some of the
6 roadblocks for change and assists local communities and the state in achieving the needed
7 results.

8
9
10 In conclusion, SB 481 provides the help needed to communities that combine their
11 assessed values and student enrollments for merger purposes. Without the help of SB
12 481, district patrons will have a greater tax liability than intended under the concepts of
13 consolidation. SB 481 does not significantly increase the current state aid cost of support
14 and because the current cost of state aid could remain the same, local districts would
15 benefit by assessing fewer mills to reach the needed levels of local support. This factor
16 will be very important to present and future consolidation proposals. We support SB 481
17 because it is good for Kansas and its educational communities and presents a powerful
18 incentive for consolidation.

19
20 Thank you for allowing the time for support of SB 481. We will participate in taking
21 questions at the appropriate time and at the direction of the Committee Chair.

Senate Bill 481
 Feb. 7, 2006
 Senate Education Committee

Concerning School Districts of:

North Central USD 221, Washington Public School USD 222
 Republic County USD 427, Hillcrest USD 455

Estimated Proposed Cost Analysis

	N.C	Washingt.	Combined	Rep. Co.	H.C.	Combined
Local Option	221	222	Total	427	455	Total
Current \$	235,000	645,000	880,000	850,000	239,318	1,094,318
Current %	0%	53%		25%	0%	
Current Mills	16.1	21.014		21.4	14.94	
Prop. \$			700,000			900,000
Prop. %			53%			25%
Prop. Mills			12.87			18.75
\$ w/o Prop.			700,000			900,000
% w/o Prop.			32.80%			11%
Mills w/o Prop.			18.6			22.25
Bond/Int.						
Current \$	0	265,775	265,775	0	64,500	
Current %	0	38	38%	0	0	
Current Mills	0	11.512	11.512	0	6.73	
Prop. \$			265,775		64,500	64,500
Prop. %			38%			0
Prop. Mills			6.5			1.8
\$ w/o Prop.			265,775			64,500
% w/o Prop.			17%			0
Mills w/o Prop.			9			1.8
CurrentTot. Mills	36.087	52.526		41.04	41.67	
Tot.Mills/w prop.			39.37			40.55
Tot.Mills w/o Pop.			47.6			44.3 mills
Taxpayer Saving			8.23 mills			3.75 mills
\$ Taxpayer Savings			207,428			135,000

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 Attachment 3

USD 221 & USD 222

Current Facts for August 25, 2005

		2005-06		2005-06							
		USD 221		USD 222							
		N.C.		Washington		Totals					
Enrollment		Headcount	FTE	Headcount	FTE			221	222	Comb.	
K		9	4.5	18	9						
1		9	9	28	28			G.F.Assd/per pupil	108,647	29,437	48,070
2		12	12	27	27						
3		6	6	38	38			Taxes Levied/pupilFTE	4,010	1,836	\$ 2,348
4		10	10	18	18						
5		6	6	25	25			HC. Students/Sq.Mile	0.474138	0.974432	1.1529563
6		12	12	32	32						
7		9	9	18	18						
8		8	8	22	22						
9		2	2	32	32						
10		6	6	31	31						
11		15	15	29	29						
12		6	6	34	34						
		110	105.5	352	343	448.5					
Assd. Val.	Gen. Fd.	11,462,236		10,096,938		21,559,174					
Assd. Val.	All Fds	12,046,211		13,157,861		25,204,072					
Sq. Miles		232		157		389					
G.F. \$		1,176,209	SA 70.9%	2,614,649	SA 83.56%	3,790,858					
G.F. Mills		20		20		20					
LOB \$		235,000		645,000							
LOB Mills		16.090		21.014		?					
LOB %		20.000		24.7		?					
C.O \$		299,490		426,234		725,724		222 LOB	State Aid was 45.87% now 53.65%		
C.O Mills		none		none		?					
B & I \$		none		265,775		?					
B & I Mills		none		11.512		?		Washington 222 bond runs until 2019			
Cont. Res.		47,773		92,214		139,987		Annual cost is approx.	\$265,000	State Aid : 36% Now 38%	
tot. Tx levied		423,034		629,908		1,052,942					

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

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COMMITTEE ASSIGNMENTS
CHAIRPERSON: AGRICULTURE AND NATURAL
RESOURCES BUDGET
MEMBER: APPROPRIATIONS
ENVIRONMENT

To: Members of Senate Education Committee

Date: February 7, 2006

Re: SB 481 - Concerning school districts relating to consolidations

Senator Schodorf and Members of the Senate Education Committee

I appear today to express my support for SB 481 which will amend the statute to facilitate school districts in the process of consolidation. U.S.D. 222 and U.S.D. 221 in Washington County have made great strides in an effort to consolidate the two districts.

To support the effort the proposed changes in SB 481 would greatly assist in providing the resources necessary for a successful consolidation. In addition, this bill will help defray the cost of the merger of these two school districts.

I am very proud of the leadership of the school boards and administration of these districts for their productive role in looking toward the future.

Respectfully,

A handwritten signature in cursive script that reads "Sharon Schwartz".

Sharon Schwartz
Representative, 106th District
Marshall, Riley, and Washington Counties

Senate Education Committee
2-7-06
Attachment 4

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024
785-273-3600

Testimony on **SB 481**
before the
Senate Committee on Education

by

Jim Hays, Research Specialist
Kansas Association of School Boards

February 7, 2006

Madam Chair, Members of the Committee:

Thank you for the opportunity to offer comments on **SB 481**, which would mitigate somewhat the adverse effect that consolidation could have on state aid rates, calculated under the capital outlay and bond and interest state aid programs.

Under current law, state aid rates tied to Assessed Valuation Per Pupil (AVPP) could decline considerably in a consolidated district if the result of the consolidation was the addition of one district's large amounts of valuation and few pupils to another district which was receiving aid under the programs. The prospect of lower state aid could be a disincentive for voters in one or both of the districts to approve a consolidation. As introduced, **SB 481** would allow the higher of the two state aid rates from the previous districts to be in effect in the consolidated district for three years.

KASB members have adopted two basic positions on school consolidation issues. First, we oppose state **mandates** in this area, believing that these decisions should be made at the local level. Second, we support efforts by the state to encourage voluntary initiatives for consolidation, cooperation or other efforts to more efficiently share resources where appropriate. We believe **SB 481** could meet both criteria if its change in state aid law proves persuasive to the voters. **SB 481** might be more persuasive to the voters if it provided that the higher district's state bond and interest aid rate would apply for the remaining life of the bond issue in question, instead of just for three years.

Thank you for your consideration of my comments. I would be happy to respond to any questions.

*Senate Education Committee
2-7-06
Attachment 5*